

County of Santa Clara

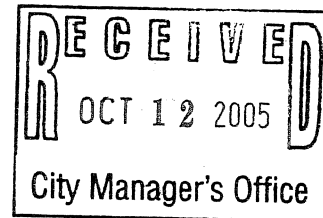
Office of the County Executive

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110
(408) 299-5105



October 7, 2005

Amy Chan, City Manager
City of Sunnyvale
465 W. Olive Avenue
Sunnyvale, CA 94086



Dear Ms. Chan:

The County of Santa Clara is opposed to the Sunnyvale Central Core Redevelopment Project Amended and Restated Plan. The root of the County's opposition is the property tax loss the amended plan will create for the County.

The Plan amendment will increase the tax increment limit to \$600 million from its current set amount of \$118 million. The increase to the increment limit will subsequently extend the duration that property tax dollars are shifted away from the taxing jurisdictions within the redevelopment project up to an additional 16 years (2013/14 to 2028/29). We estimate a loss to the County of nearly \$2.85 million for fiscal year 2013/14, the first year the tax increment is expected to exceed the current limit of \$118 million. The loss to the County will grow each year thereafter, commensurate to the growth in assessed valuation. The total estimated loss due to the amendment, using the City's assumed tax increment numbers, is projected to exceed \$59 million. If the project area maintains a 3.4 percent growth rate and receives the full \$600 million tax increment as set by the amended plan, the County total additional property loss would be \$75 million.

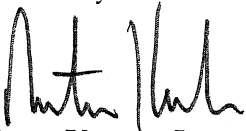
Although the County is projected not to incur an additional loss until fiscal year 2013/14, we deem these future tax dollars necessary to sustain essential services to the County's citizens. Our budget reflects a high reliance on property tax revenues and less on other taxes, such as the sales and use tax that cities can depend on. For example, with a population of 1.7 million, Santa Clara County's annual share of the Bradley Burns sales and use tax apportionment is only \$3 million. Therefore, it is paramount that the County safeguards its revenue base to ensure the County's sustainability.

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Attached is a schedule of the property tax loss using the City's assumption of property tax growth for the current year (2005/06) compared to the projected loss to the County for fiscal year 2013/14. The net loss to the County of the one percent rate, after adjusting for the ERAF shift, for fiscal year 2013/14 is \$2,275,000. The loss from the County's retirement levy is \$573,000. Our estimate of the AB 1290 mandated pass through return to the County for 2013/14 is a mere \$42,000.

For these reasons, we are compelled to oppose the Amended and Restated Plan for the Sunnyvale Central Core Redevelopment Project.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Kutras, Jr.", written in a cursive style.

Peter Kutras, Jr.
County Executive

Attachment

cc: Board of Supervisors
Ann Miller Ravel, County Counsel
Gary A. Graves, Chief Deputy County Executive
John V. Guthrie, Director, Finance Agency
David Elledge, Controller-Treasurer

ATTACHMENT

Santa Clara County Loss of Tax Increment
to Sunnyvale Central Core Revelopment Project

	<u>Actual FY 05/06</u>	<u>Projected FY 13/14</u>
Assessed valuation increment	\$ 335,958,314	\$ 1,477,660,000
One percent tax	\$ 3,359,583	\$ 14,777,000
County annual tax increment factor	0.2683139436	0.2683139436
County gross loss from 1% tax	\$ 901,423	\$ 3,965,000
County ERAF shift	<u>384,321</u>	<u>1,690,000</u>
Net County loss from 1% (after ERAF)	\$ 517,102	\$ 2,275,000
County retirement levy loss (0.0388)	<u>130,352</u>	<u>573,000</u>
Total County tax increment loss (not including the misc - SB813, unitary..)	\$ 647,454	\$ 2,848,000
AB 1290 Pass-through to County	N/A	\$ 42,000